

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2010-399-C

IN THE APPLICATION OF

FRONTIER COMMUNICATIONS
OF AMERICA, INC.

For a Certificate of Public Convenience and Necessity
to Provide Telecommunications Services Including
Resold and Facilities Based Basic Local Exchange
Service and For Flexible Regulation of Local
Exchange Services and For Alternative Regulation of
its Existing Long Distance Service Offerings
Authorized by Order No. 96-611

DIRECT TESTIMONY
OF
STAN PACE

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Stan Pace. I am the Regional Director of Regulatory and
3 Government Affairs for Frontier Communications, Inc. (hereinafter referred to as
4 “FCA”). My business address is 5003 South Miami Blvd, Durham, North
5 C27702.

6 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF YOUR WORK**
7 **EXPERIENCE.**

8 A. In my current role, I oversee Frontier Communication’s Regulatory and
9 Governmental Affairs responsibilities for its ten (10) state East and Southeast
10 regions. I have held that position since July 1, 2010 upon close of the Verizon
11 acquisition. Prior to that, I was Verizon’s Director of Public Affairs Policy and
12 Communications for the North Carolina operations for six (6) years and held

1 various positions in Regulatory, Government Affairs, Accounting and Finance
2 with Verizon and the former GTE over a twenty-five (25) year career in
3 telecommunications.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to present evidence describing and demonstrating
6 the technical, managerial, and financial fitness of Frontier Communications of
7 America, Inc. (FCA) to provide resold and facilities-based local exchange and
8 interexchange telecommunications service within the State of South Carolina.
9 This testimony will also describe the service to be provided by FCA. Finally, my
10 testimony will show that the public interest will be served by the approval of
11 FCA's Application.

12 **Q. ARE YOU FAMILIAR WITH THE APPLICATION FCA SUBMITTED TO**
13 **THIS COMMISSION?**

14 A. Yes. I assisted in the preparation of the Application,¹ as well as the recent
15 amendments to that Application to include items recently suggested by the Office
16 of Regulatory Staff to be included in this Application.

17 **Q. IS EVERYTHING IN THE APPLICATION TRUE AND CORRECT TO**
18 **THE BEST OF YOUR KNOWLEDGE?**

19 A. Yes, and so are the amendments to the Application.

¹ Any reference in this testimony to FCA's Application shall also include and incorporate in its entirety the Amended Application and/or the amendments filed by FCA whether or not there is specific reference to the Amended Application or amendments; thus, any reference to Application shall collectively refer to the Application, its Amended Application and amendments.

1 **Q. DO YOU WISH TO INCORPORATE BY REFERENCE ANY**
2 **DOCUMENTS INTO THIS TESTIMONY?**

3 A. Yes. I wish to incorporate, by reference, FCA's underlying Application filed in
4 this proceeding and the amendments to the Application.

5 **Q. DO YOU RATIFY AND CONFIRM THE STATEMENTS AND**
6 **REPRESENTATIONS MADE IN THAT APPLICATION?**

7 A. Yes. I also ratify and confirm the amendments to the Application.

8 **Q. PLEASE DESCRIBE FCA AND ITS BUSINESS ACTIVITIES.**

9 A. FCA is a privately owned subsidiary of Frontier Communications Corporation
10 ("Frontier") and an affiliate of Frontier Communications of the Carolinas, Inc. It
11 offers voice, data and internet services to residential and commercial customers,
12 and does so as a certificated provider of Long Distance services, as a Competitive
13 Local Exchange Provider (CLEC), and as an Internet Services Provider (ISP).
14 FCA has been providing communications services for over a decade, in the
15 various geographic areas of twenty-four states across the Nation. FCA currently
16 has a certificate of public convenience and necessity to provide intrastate resold
17 telecommunications services within the State of South Carolina in accordance
18 with Order No. 1996-611 in Docket No. 1996-094-C.

19 **Q. DOES FCA HAVE THE REQUISITE MANAGERIAL, TECHNICAL AND**
20 **FINANCIAL ABILITIES TO PROVIDE THE SERVICE FOR WHICH IT**
21 **APPLIED?**

22 A. Yes.

1 **Q. PLEASE DESCRIBE APPLICANT’S FINANCIAL ABILITIES.**

2 A. FCA’s parent company, Frontier Communications Corporation’s (“Frontier”),
3 consolidated financial reports for 2009 show \$2,118 million in revenue, \$606
4 million in operating income, \$123 million in net income, \$491 million in free cash
5 flow, and \$6,878 million in total assets. These amounts have all increased (after
6 adjusting for acquisition and integration costs of the transaction with Verizon)
7 during 2010.

8 **Q. PLEASE DESCRIBE THE AUTHORIZATION SOUGHT BY FCA IN**
9 **THIS PROCEEDING.**

10 A. FCA is seeking authorization as a Competitive Local Exchange Carrier (CLEC) to
11 provide local voice and data services to residential and business customers in
12 South Carolina. By making its Application, FCA is petitioning this Commission
13 for amended authority of its existing certificate as a reseller of long distance
14 telecommunications services in the State of South Carolina, for the authority to
15 operate as a facilities-based provider and reseller of local exchange services in
16 accordance with this Amended Application, for flexible regulatory treatment of its
17 local exchange services, for alternative regulation of its existing long distance
18 service offerings, and for waiver of or an exemption pursuant to Regulation 103-
19 601(3) to certain Commission requirements that introduce unusual difficulty,
20 which are not consistent with the demands of the competitive market and/or that
21 constitute an undue burden.

22 **Q. PLEASE DESCRIBE HOW FCA PROPOSES TO PROVIDE LOCAL**
23 **EXCHANGE SERVICE TO CUSTOMERS IN SOUTH CAROLINA.**

1 A. FCA proposes to provide these Local Exchange Services in South Carolina
2 through a combination of self provisioned facilities and facilities leased from
3 incumbent local exchange providers.

4 **Q. PLEASE DESCRIBE THE TECHNICAL RESOURCES OF FCA.**

5 A. FCA shares in all the technical resources of its parent company, Frontier, and is
6 on par with its ILEC affiliate already operating in South Carolina, Frontier
7 Communications of the Carolinas, Inc.

8 **Q. PLEASE IDENTIFY THE AREAS WITHIN THE STATE OF SOUTH**
9 **CAROLINA FOR WHICH FCA IS REQUESTING AUTHORITY IN THIS**
10 **APPLICATION.**

11 A. FCA is requesting authority to provide Local Exchange Service throughout the
12 State of South Carolina.

13 **Q. WILL FCA FILE TARIFFS FOR APPROVAL WITH THE COMMISSION**
14 **THAT INCLUDE THE REGULATED INTRASTATE SERVICES TO BE**
15 **OFFERED IN SOUTH CAROLINA?**

16 A. FCA will file a proposed tariff of regulated offerings it intends to provide. This
17 proposed tariff is in the process of being finalized for submission in this matter.
18 Any tariff will comport with all applicable Commission Rules and Orders. As
19 part of this application pursuant to certain suggestions of the Office of Regulatory
20 Staff, FCA requests flexible regulation for its telecommunications services as the
21 Commission granted in Order No. 98-165 in Docket No. 97-467-C. In the Order,
22 the Commission determined that local tariff filings would be presumed valid upon
23 filing, subject to the Commission's right within thirty (30) days to institute an

1 investigation of the tariff filing, and that any tariff filings would be subject to the
2 same monitoring process as other similar local exchange carriers. As a
3 competitive provider of local exchange services, FCA should be subject to
4 regulatory constraints no more stringent than those imposed in Docket No. 97-
5 467-C. FCA respectfully requests that its local exchange service tariff filings be
6 regulated pursuant to this previously approved form of flexible regulation.

7 FCA also requests that all of its business service offerings be regulated
8 pursuant to the procedures described and set out in Commission Order Nos. 95-
9 1734 and 96-55 in Docket No. 95-661-C, as modified by Commission Order No.
10 2001-997 in Docket No. 2000-407-C. In these Orders, the Commission
11 determined that there was justification in a competitive marketplace to relax the
12 manner in which AT&T was regulated. The Commission determined that AT&T
13 was not required to file maximum rates for long distance business service
14 offerings and that its tariff filings would be presumed valid upon filing, subject to
15 the Commission's right within seven (7) days to institute an investigation of the
16 tariff filing. It is FCA's request to have its business services regulated in the same
17 manner as this Commission has permitted for AT&T Communications of the
18 Southern States, Inc. ("AT&T"). As an existing competitive provider of long
19 distance business service offerings, FCA should be subject to regulatory
20 constraints no more stringent than those imposed in Dockets No. 95-661-C and
21 No. 2000-407-C and/or on AT&T. FCA respectfully requests that
22 its interexchange business service tariff filings be regulated pursuant to this

1 previously approved form of flexible regulation. Specifically, FCA requests that
2 the Commission:

3 (1) remove the maximum rate tariff requirements for its
4 business services offerings;

5 (2) presume that the tariff filings for these uncapped services
6 be valid upon filing. However, if the Commission institutes
7 an investigation of a particular filing within seven (7) days,
8 the tariff filing would be suspended until further order of
9 the Commission; and

10 (3) grant FCA the same treatment as AT&T in connection with
11 any future relaxation of the Commission's reporting
12 requirements.

13 **Q. HOW WILL FCA PERFORM BILLING FOR THE SERVICES**
14 **OFFERED?**

15 A. Billing will be performed by FCA directly to end users as the provisioning and
16 billing systems for the services contemplated are under the FCA entity.

17 **Q. HOW WILL SOUTH CAROLINA CUSTOMERS CONTACT FCA**
18 **CUSTOMER SERVICE DIVISION?**

19 A. FCA's customers may call toll-free to report problems or complaints. The number
20 is 1-877-462-8188 and will be noted on the bill.

21 **Q. DOES FCA HAVE OFFICES IN SOUTH CAROLINA?**

22 A. FCA's affiliated parent company, certificated as Frontier Communications of the
23 Carolinas, Inc., does have an office located at 1301 Gervais Street, Suite 825, in

1 Columbia, South Carolina 29201 and has locations in the State in the cities of
2 Myrtle Beach and Simpsonville.

3 **Q. WHO IS KNOWLEDGEABLE ABOUT FCA'S OPERATIONS AND WILL**
4 **SERVE AS THE COMMISSION'S/ORS'S REGULATORY AND**
5 **CUSTOMER SERVICE CONTACT?**

6 A. All ongoing regulatory compliance and customer service matters can be directed
7 to my attention or to Afton Ellison in Columbia, South Carolina. Ms. Ellison's
8 address is 1301 Gervais Street, Suite 825 Columbia, South Carolina 29201. The
9 telephone number is 803-254-5736.

10 **Q. HAS FCA OBTAINED AUTHORITY TO PROVIDE ITS SERVICES IN**
11 **ANY OTHER STATES?**

12 A. Yes. FCA is currently authorized to provide service in Alabama, Arizona,
13 California, Florida, Georgia Illinois, Idaho, Indiana, Iowa, Michigan, Minnesota,
14 Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, Ohio,
15 Oregon, Pennsylvania Tennessee, Utah, West Virginia and Wisconsin.

16 **Q. IS FCA PREPARED TO COMPLY WITH SOUTH CAROLINA LAW AND**
17 **WITH ALL APPLICABLE RULES AND REGULATIONS OF THE**
18 **COMMISSION?**

19 A. Yes, it is as set forth in detail in its Application, including the Amended
20 Application, which I have adopted in my testimony and that is subject to approval
21 by the Commission as authorized by Regulation 103-601(3) for any requested
22 waiver or exemption.

1 **Q. WILL THE COMPANY FILE ALL APPLICABLE REPORTS AS**
2 **REQUIRED BY THE COMMISSION?**

3 A. Yes, the Company is aware of the Commission's requirements that all
4 telecommunications carriers file a report on South Carolina operations, a gross
5 receipts report, and a universal service contribution report on an annual basis.

6 **Q. DOES THE COMPANY REQUEST ANY WAIVERS OF ANY**
7 **REGULATORY REQUIREMENTS OF THE COMMISSION AS**
8 **PROVIDED BY REGULATION 103-601(3)?**

9 A. Yes, FCA is also requesting as part of its Application and in accordance with the
10 recent suggestions of the Office of Regulatory Staff that the Commission grant it
11 a waiver of those regulatory requirements which: (1) are inapplicable to
12 competitive local exchange providers; (2) are not appropriate or applicable for
13 competitive providers such as FCA; and (3) constitute an economic barrier to
14 entry into the markets for its offerings. The Commission is authorized to grant
15 this wavier pursuant to Commission Rule 103-601(3).

16 **Q. EXPLAIN WHY THE COMPANY REQUESTS A WAIVER OF CERTAIN**
17 **REGULATORY REQUIREMENTS OF THE COMMISSION AS**
18 **PROVIDED BY REGULATION 103-601(3)?**

19 A. The waivers or exemptions in its Application are requested because such
20 requirements are not consistent with the demands of the competitive market
21 and/or they constitute an undue burden on the competitive provider; thus,
22 resulting in an ineffective use or allocation of resources. As described in the
23 Application, compliance with these specific Commission Rules will "introduce

1 unusual difficulty" for FCA. Additionally, FCA asserts that granting the waiver
2 requested herein, including all subparts, is "not contrary to the public interest".

3 **Q. WHAT ARE THE SPECIFIC REGULATORY REQUIREMENT**
4 **WAIVERS REQUESTED BY FCA AS PART OF THIS APPLICATION**
5 **AND IN ACCORDANCE WITH COMMISSION REGULATION 103-**
6 **601(3)?**

7 A. First, FCA seeks a waiver of the requirements of Regulation 103-611 and requests
8 that the Commission allow it to keep all other books and records in conformance
9 with Generally Accepted Accounting Principles ("GAAP") except to the extent
10 FCA is otherwise required by the FCC to maintain such its books and records in
11 accordance with USOA.

12 Second, FCA also requests a waiver and exemption of the Commission
13 requirement that a utility keep and maintain its records in the State of South
14 Carolina as provided in Regulation 103-610. FCA respectfully requests to be
15 allowed to maintain its books and records at its headquarters located in Stamford,
16 Connecticut. It would be impractical for FCA to maintain separate records in
17 South Carolina. If the Commission determines it is necessary to review FCA's
18 books, FCA will provide this information to the Commission or the Office of
19 Regulatory Staff upon request or will bear the cost of any out-of-state travel
20 expenses incurred by Commission or ORS staff.

21 Third, FCA also requests a waiver of the Commission requirement that it
22 publish and distribute local exchange directories. FCA will make arrangements
23 with the incumbent LECs so that the names of FCA's customers and FCA's

1 customer service number will be included in the directories published by the
2 incumbent LECs. These directories will be distributed to FCA's customers. FCA
3 believes that this is reasonable approach which will directly benefit to the
4 customers of both FCA and the incumbent LEC since they need only refer to one
5 directory. It would be an unnecessary burden on FCA to require that it publish
6 and distribute its own directory to all customers located within each exchange
7 area, particularly since nearly all of these customers will be customers of the
8 incumbent LECs. It would be more efficient for FCA to simply include its limited
9 customer list in the existing directories of the incumbent LECs. The LEC
10 directories will include FCA's customer service number.

11 Fourth, FCA requests waiver of the Commission requirement regarding an
12 operating area map-filing requirement pursuant to Reg. 103-612.2.3. FCA's local
13 exchange calling areas will initially mirror the service areas of the incumbent
14 local exchange carriers. It would be burdensome to require FCA to comply with
15 this Rule.

16 **Q. ARE THERE ANY OTHER REQUEST BEING MADE BY THE**
17 **COMPANY WITH REGARD TO ANY WAIVER OR EXEMPTION FROM**
18 **A SPECIFIC REGULATORY REQUIREMENT PRESCRIBED BY THE**
19 **COMMISSION WHICH CAN BE WAIVED IN ACCORDANCE WITH**
20 **COMMISSION REGULATION 103-601(3)?**

21 A. Yes. FCA wants to reserve the right to seek any regulatory waivers which may be
22 required for FCA to compete effectively within South Carolina's marketplace
23 related to its offerings.

1 **Q. WHAT REGULATORY TREATMENT HAS FCA SOUGHT IN**
2 **CONNECTION WITH THIS DOCKET?**

3 A. FCA requests flexible regulation for its local exchange telecommunications
4 services as the Commission first granted in Order No. 98-165 in Docket No. 97-
5 467-C and as described and set out in Commission Order Nos. 95-1734 and 96-55
6 in Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in
7 Docket No. 2000-407-C.

8 **Q. DOES FCA HAVE THE TECHNICAL ABILITY TO OFFER THE**
9 **SERVICES PROPOSED IN ITS APPLICATION?**

10 A. Yes.

11 **Q. DOES FCA HAVE THE MANAGERIAL EXPERIENCE TO OFFER THE**
12 **PROPOSED SERVICES IN SOUTH CAROLINA?**

13 A. Yes. FCA's managerial experience is set forth in detail in its Application,
14 including the Amended Application, which I have adopted in my testimony.

15 **Q. IS FCA FINANCIALLY FIT TO PROVIDE THE SERVICES PROPOSED**
16 **IN THIS APPLICATION?**

17 A. Yes. FCA's financial resources are set forth above in my testimony.

18 **Q. IN YOUR OPINION, IS THE GRANTING OF FCA'S APPLICATION IN**
19 **THE PUBLIC INTEREST?**

20 A. A decision by the Commission to grant FCA authority to provide local exchange
21 and interexchange telecommunications service is in the public interest. The public
22 interest will be served by expanding the availability of competitive and alternative
23 forms of telecommunications services in the State of South Carolina, thereby

1 facilitating economic development. Authorizing FCA to enter the
2 telecommunications service market will increase the competitive choices
3 available customers throughout the territory FCA elects to offer service.

4 **Q. WHERE WILL THE RECORDS PERTAINING TO YOUR SOUTH**
5 **CAROLINA OPERATIONS BE KEPT?**

6 A. Subject to the Commission's approval, the records will be maintained at
7 Frontier's Headquarters in Stamford, Connecticut.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes.